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CONFIDENTIAL.

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S 1329

Memorandum by Mr. Bertie on the Public Debts of the late South African Republics.

BY international law, *alias* custom, it is incumbent upon Her Majesty's Government to take over the public debts of the South African Republics incurred before the war. We are not, however, bound to pay the contractual interest on those debts if there be no revenue sufficient to meet it after providing for necessary administration expenses.

We are likely to have disagreeable discussions, if not controversies--

With Germany and France, regarding the dynamite monopoly;

With Germany, France, and Holland, regarding the Netherlands South Africa Railway;

With France, Germany, and several other Powers, regarding the taxation of the gold mines to meet part of the cost of the war;

With almost all the European Powers and the United States of America, regarding the deportation of foreigners from South Africa.

In the matters which I have mentioned, we think that we have good cases legally and equitably. We may possibly succeed in settling them on reasonable terms.

In the matter of the Public Loans we have not a good case for controversy with any foreign Governments which may think fit to support their nationals. To a plea of insufficiency of revenue to provide interest, they would reply that if we had not invaded the Republics the money would have been forthcoming, and for us to retort that they invaded our Colonies would only lead to a polemical discussion not conducive to an amicable arrangement or compromise.

A negotiation with the bondholders for a reduction of interest or a repayment of capital at a rate below face value would be tantamount to

a negotiation with the Governments of the nationals concerned.

The bondholders' claims would be strongly supported, and with arguments which it would be difficult to refute, and in the end we should probably give way to the representations of the foreign Governments concerned.

In these circumstances I submit that it would be politic for His Majesty's Government to determine what would be an equitable settlement, and to announce it publicly without previous negotiation with foreign Governments or bondholders. Such a settlement should be sufficiently generous not to give just cause for remonstrance.

I understand that the principal debt to be dealt with is the Rothschild 5 per Cent. Transvaal Loan of 2,500,000*l*., issued in 1892, at 90 per cent., of which repayment should begin in 1903 and conclude in 1942, by annual purchase of bonds when under par, and by annual drawings when at or above par, the Transvaal Government being entitled, after 1903, to repay the whole or any portion of the loan on six months' notice.

The highest quotation of this loan has been $107\frac{3}{8}$, and the lowest 98, the present price being 99.

I would suggest that His Majesty's Government should issue a Notice that the available revenues of the Transvaal are insufficient to meet the 5 per cent. interest due on the 1st July, 1900, and the 1st January, 1901, but that, notwithstanding this fact, it is their intention to pay such interest, and to repay the capital, at face value, on or before the 1st July next.

I would treat any other public debts on the same principle.

F. B.

February 3, 1901.

CONFIDENTIAL.

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